

AUSTIN EXPLORATION LIMITED

ABN 35 116 249 060



Second Quarter Report FY2011

For the three months ended
December 31, 2010

With Australian and USA
activity updates through
January 12, 2010

OVERVIEW OF OPERATIONS AND ACTIVITIES

Exploration and Production

Austin Exploration Limited (ASX: “AKK”) currently maintains working interests and net revenue interests in five key oil and gas assets in Australia and the United States.

Other projects meeting a stringent set of acquisition guidelines will be brought into the Company’s portfolio as they are reviewed and approved by the Board of Directors. The company will seek to maximise the advantage of the strong Australian Dollar and rising Crude Oil price as it seeks out further scientifically qualified projects that offer favourable economics and short pay back periods.

Australian Assets (Austin Exploration Limited)

Austin Exploration (“AKK”) currently holds one oil and gas asset in Australia.

Cooper Basin - PEL 105 oil and gas project

- › AKK holds a 50% working interest
- › PEL 105 is an area of 437 square kilometres, located approximately 60 kilometres north of Moomba in South Australia
- › P10 reserves for the planned Pirie #1 well are estimated at 23 Million barrels of oil
- › Estimated recovery of 1Million barrels of oil per well
- › Estimated well life of nine years
- › Estimated spacing allows for five additional wells on the licence
- › Due to an unprecedented amount of flooding in the area, access to the drill site for the previously advised initial Pirie-1 well has not been possible. Until the area dries out sufficiently to allow access, we are unable to finalize exploration programs in conjunction with our JV partner, Adelaide Energy Ltd. Austin will continue to monitor the status of the site and will update shareholders once a more precise timeline for drilling has been reached, which at this stage is projected to be 2011.

U.S.A. Assets (Aus-Tex Exploration, Inc.)

Four oil and gas assets are currently held in the USA by AKK’s 100%-owned subsidiary, Aus-Tex Exploration, Inc.

North Carrizo, Yolanda Villarreal #1 oil well (Dimmitt County, Texas)

- › Aus-Tex holds a 45% BC/WI, a 36% AC/WI and a 27.36% NRI
- › Producing formation is the Austin Chalk
- › The well was completed and put on production on July 31, 2010 and has been producing oil under natural pressure since that time. As at the 10th January 2011 the well had flowed **12,173** barrels of crude oil naturally to the surface.
- › All oil being produced is being sold to the local refinery
- › The highest daily production rate to date was 256.7 BOPD
- › Since oil production began in August 2010, the well continues to flow naturally with an average Flow Tubing Pressure (FTP) of approximately 100 PSI. It is now the belief of the operator that a larger hydrocarbon reservoir system has been tapped into than was originally forecast.
- › The company expects this oil flow rate to increase significantly once the well is put on pump. In order to prevent formation damage to the Austin Chalk, the well cannot be put on pump until the naturally flowing oil production ceases.

The Armstrong oil project (Natchez, Mississippi USA)

- › Aus-Tex holds a 50% WI and a 37.5% NRI
- › Producing formation is Wilcox Sand
- › As at the 10th January the well has produced 10,239 barrels of oil
- › Estimated recovery of 80,000 barrels of oil per well
- › Three-well drilling program envisioned
- › First well (Armstrong #1) is completed and was put on production in May 2010
- › Daily production is currently at 62 barrels of oil and is being sold to the local refinery



ARMSTRONG- ELLISLIE NO#1 PUMP JACK

The Commencement Prospect (Adams County, Mississippi USA)

- › Aus-Tex holds a 50% WI for a 37.5% NRI
- › Drilling Operations are expected to commence in February 2011
- › The operator on the project is the same Mississippi-based operator that Aus-Tex joint ventured with on the successful Armstrong oil project. This well represents the 17th well to be drilled by the operator which has the enviable record of 15 of its 16 previous wells drilled resulting in commercial discoveries of crude oil.
- › The well will be re-drilled to a depth of 6,650' feet and produce the Baker and Ratcliff Sands formations that were previously produced in the Serio-Calto No. 1 Armstrong formation.
- › Estimated recoverable reserves from this well are calculated to be between a minimum of 55,000 to 78,000 barrels of oil

The Bombing Range Oil Prospect (Vernon Parish, Louisiana USA)

- › Aus-Tex holds a 34% WI and a 25.5 NRI
- › Drilling operations expected to commence February 2011
- › The operator on this project is also the same Mississippi-based operator that Aus-Tex joint ventured with on the successful Armstrong oil project. This well represents the 18th well to be drilled by the operator which has the enviable record of 15 of its 16 previous wells drilled resulting in commercial discoveries of crude oil.
- › Producing formation is the (1st) Wilcox Sands and the Sparta Formation
- › Estimated recovery of 505,000 barrels of oil

The Sebree oil project (Northwest, Kentucky USA)

- › Aus-Tex holds a 50% WI and a 37.5% NRI
- › Target formation is Tar Springs Sand
- › Quality infrastructure is in place, with oil transport and sales contracts completed
- › A reserve report and cash flow model was completed by a third party, JORC qualified geologist and it was released to the market on February 4th, 2010
- › Estimated recovery of 80,000 barrels of oil

- › Five well drilling program envisioned
- › Salt water disposal well currently undergoing testing
- › Production is anticipated to recommence in March 2011
- › Daily production estimated at 20-30 barrels of oil

The Park City oil and gas project (Southwest, Kentucky USA)

- › Aus-Tex holds a 100% WI and a 78.125% NRI
- › The primary hydrocarbon focus of this project is natural gas with a secondary focus on oil
- › Target formations are the Limestone and New Albany
- › Proven reserves of 298,180 barrels of oil and 120,980 Mcf of gas
- › Probable reserves of 870,110 Mcf of gas
- › PIIP reserves of 9.79 BCF of gas
- › 17 wells have been drilled, with Four of these already completed.
- › Three of the completed wells are currently producing oil and one is capable of producing gas but has been shut-in
- › Daily production is currently averaging two-to-five barrels of oil
- › New completion and drilling methods to begin 1st calendar quarter 2011

The Seychelles oil project (East Africa Region)

Since the end of the September 2010 quarter - and as announced to the ASX on the 26th October 2010 - Austin finalised a Memorandum Of Understanding (MOU) with WHL Energy Limited (ASX:WHN) to have a right to farm in up to 4% on the first well drilled in a multi-billion barrel off shore exploration project.

PT. Geomahakarsa Indonesia, which is undertaking the large seismic program with Fugro Data Services, has reported that as of 3 January 2011, 34.4% of the total survey has been acquired. To date 58 out of 120 sail lines have been completed, with 6,324 sail km acquired. The survey is on target to be completed by early April 2011. A total of 7,200 km of 2D seismic is being “shot” over the 35 blocks which WHL Energy is acquiring under an agreement announced by the Company in October 2010. That seismic campaign is part of a 17,000 km multi-client program of 2D seismic, gravity and magnetic data acquisition being undertaken by Fugro and Geomahakarsa within the Seychelles Exclusive Economic Zone.

Subject to shareholder approval, WHL intends to acquire all 35 off-shore exploration licence blocks in the Republic Of Seychelles. The Board of Austin looks forward to working closely with WHL Energy and being a part of what is a truly exciting frontier exploration project.

COMPETENT PERSON'S STATEMENT

In accordance with ASX and AIM rules, the information in this release has been reviewed and approved by Mr. David T. Greene, Sr. Reservoir Engineer, Fidelity Exploration and Production Company. Mr. Greene holds a Bachelor of Science Degree in Earth Science and a Master of Science Degree in Petroleum Engineering and has over 30 years of oil and gas experience including exploration, drilling, completion and production. His background also includes evaluation, design and implementation of improved and enhanced oil recovery projects as well as pressure transient analysis, fluid properties and petrophysics. He is a member of the Society of Petroleum Engineers and the American Association of Petroleum Geologists. Mr. Greene has the relevant experience within the industry and consents to the information in the form and context in which it appears.

SUBSEQUENT EVENTS – CAPITAL RAISING

On 17 January 2011 the company announced a share placement to new and current sophisticated investors of up to 40,000,000 ordinary shares at 3 cents per share to raise \$1,200,000 before costs. This new capital would enable the commencement of further exploration potential in its US operations.

On 25 January, the success of the capital placement was confirmed with 39,900,000 shares being placed and which raised \$1,197,000 before costs.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

AUSTIN EXPLORATIONS LIMITED

ABN

98 114 198 471

Quarter ended ("current quarter")

31 DECEMBER 2010

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	315,825	461,458
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(48,318) (573,926)	(106,925) (1,545,284)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	7,568	36,819
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(298,851)	(1,153,932)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(232,001)	(804,203)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(232,001)	(804,203)
1.13 Total operating and investing cash flows (carried forward)	(530,852)	(1,958,135)

1.13	Total operating and investing cash flows (brought forward)	(530,852)	(1,958,135)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows		
	Net increase (decrease) in cash held	(530,852)	(1,958,135)
1.20	Cash at beginning of quarter/year to date	2,147,376	3,598,032
1.21	Exchange rate adjustments to item 1.20	5,396	(17,977)
1.22	Cash at end of quarter	1,621,920	1,621,920

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	134,827
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

CONSULTING AND CONTRACT FEES TO DIRECTORS AND OFFICERS

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		

3.2 Credit standby arrangements

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Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	27,510
4.2 Development	1,086,148
4.3 Production	88,644
4.4 Administration	387,299
Total	1,589,601

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,571,920	1,124,118
5.2 Deposits at call	50,000	1,023,258
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,621,921	2,147,376

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased	Bombing Range (Veron Parish Louisiana) Section 15 4N-R9W	Nil	Aus-Tex holds a working interest of 35% and a NRI of 25.5%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

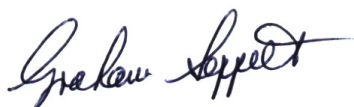
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	296,051,718	296,051,718		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,000,000	1,000,000		
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

			<i>Exercise price</i>	<i>Expiry date</i>
7.7	Options <i>(description and conversion factor)</i>	5,400,000 "2011" A Class Options	\$0.30	30/06/2011
		12,600,000 "2011" B Class Options	\$0.50	30/06/2011
		12,600,000 "2011" C Class Options	\$0.75	30/06/2011
		541,667 "2012" D Class Options	\$0.24	28/02/2012
		333,333 "2013" E Class Options	\$0.24	01/03/2013
		500,000 "2011" F Class Options	\$0.20	15/10/2011
		10,000,000 "2011" G Class Options	\$0.10	30/11/2011
		146,512,930 Listed Options	\$0.10	19/11/2011
7.8	Issued during quarter	1,000,000	\$0.10	19/11/2011
7.9	Exercised during quarter			
7.10	Expired during quarter			
7.11	Debentures <i>(totals only)</i>			
7.12	Unsecured notes <i>(totals only)</i>			

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:
(Director/Company secretary)

Date: 28/01/11

Print name: Graham Seppelt